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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

Sri Lanka: Mrs. Bandaranaike Struggles On

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**CENTRAL INTELLIGENCE AGENCY
DIRECTORATE OF INTELLIGENCE**

31 October 1972

INTELLIGENCE MEMORANDUM

Sri Lanka: Mrs. Bandaranaike Struggles On

"The mass of Ceylonese detest their government." -From "Ceylon-The Balance Upset"-Final report of US Ambassador Robert Strausz-Hupe, 1 February 1972

A steady decline in the economy appears to have diminished the popularity of Prime Minister Bandaranaike's three-party coalition government since it took office some two and a half years ago. Although no public opinion polls or new nationwide elections have tested attitudes toward the Bandaranaike regime, steady public grumbling over the economic situation, a large-scale uprising last year by disgruntled youths, a recent series of by-election victories for the opposition, and increased restiveness among labor unions and the sizable Tamil minority all point to declining support for the regime. So far, the government has responded by adding to its armed strength and its constitutional powers, rather than by initiating effective measures to revitalize the economy.

Note: This memorandum was prepared by the Office of Current Intelligence and coordinated within CIA.

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CONFIDENTIAL**The Government Loses Popularity...**

Even at the outset, the Bandaranaike coalition had less public support than its parliamentary strength—115 of 151 seats—indicated. Weighted apportionment favoring rural areas had enabled the coalition to obtain this majority with only 48.8 percent of the popular vote. Nevertheless, as Mrs. Bandaranaike began her term, most Ceylonese seemed hopeful that her regime would make headway in arresting the economic decline that had already started to drag down the country's living standards toward those of its badly impoverished south Asian neighbors.

These hopes have not been fulfilled. Sri Lanka's economy continues to be buffeted by deteriorating terms of trade, stagnating exports, low foreign exchange reserves, and lack of growth. Agricultural production was hit hard by a severe drought early this year. Many consumer goods have grown scarce and services have deteriorated. Prices, fairly stable before 1968, have since risen substantially and unemployment has reached massive proportions. A visiting International Labor Organization study group recently estimated that in a total population of about 13 million over 700,000—mostly young people with at least some education—are jobless. Additional thousands are underemployed.

The government's standing with the public appears to have fallen as economic problems have worsened. Roughly 20,000 disaffected young Ceylonese participated in a large-scale insurrection that almost toppled the regime 18 months ago. The insurgents have been quiet this year, but thousands have been released from custody and some of them may be making preparations for future attempts against the regime. A substantial portion of the population appears at least partially sympathetic to these youthful revolutionaries.

This month an apparent decline in the government's popularity was indicated anew when the main opposition political party, the right-of-center United National Party, won—although only by narrow margins—three of four parliamentary by-elections held in different parts of the country. Mrs. Bandaranaike's Sri Lanka Freedom Party had won three of these four seats in the 1970 general elections. Her party's margin of victory in the sole by-election it won was only half as large as in the 1970 balloting for the same seat. The government had postponed the by-elections—made necessary by death or disqualification—on several occasions, apparently because it feared just what happened.

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CONFIDENTIAL**Prime Minister Bandaranaike****Leader of the Opposition Senanayake**

Although the opposition United National Party received some 13,000 votes more than in the 1970 races for these four seats, the by-election results do not necessarily represent a substantial upsurge in the party's popularity, either in these constituencies or in the country at large. In two of the races Mrs. Bandaranaike's party was hurt by squabbling between local party factions. Also, many Ceylonese probably feel that the opposition party, which governed the country from 1965 to 1970, shares responsibility for the country's troubles and, as a result, they may be disenchanted with both the government coalition and the United National Party. At present, no groups other than Mrs. Bandaranaike's party and the main opposition party appear strong enough to rule the country. Mrs. Bandaranaike's party still has nearly 90 seats in the national assembly, and her two coalition partners hold another 25. The United National Party, although it obtained 38 percent of the popular vote in the 1970 elections, holds only 18 seats. The only other opposition group represented in the assembly, the Tamil United Front, has 14. There are also six government-appointed members.

The Tamil minority community has been particularly unhappy with the Bandaranaike government. The Tamils—an ethnic group of south Indian origin—make up about 22 percent of Sri Lanka's population and are concentrated in the country's northern and eastern regions. They have never

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been enthusiastic about Mrs. Bandaranaike's party, which has sought to appeal to the nationalist sentiments of the country's Sinhalese majority since her late husband founded the party in 1951. Tamil opposition to the government has intensified since 1970, partly because of the deteriorating economy and partly because of what the Tamils view as discriminatory provisions in Sri Lanka's new constitution. Leading Tamil political organizations have been considering attempting an extensive non-violent protest campaign sometime this fall. The most prominent Tamil leader, S.J.V. Chelvanayakam, has resigned his seat in the national legislature and is making thinly veiled threats to seek complete independence for the Tamils.

The Tamils' ability to mount a serious challenge at this time is doubtful. Communal passions are less intense now than in the late 1950s and early 1960s, when Tamil protests resulted in widespread violence. Caste, regional, and generational bickering among the Tamils has further weakened them. Nonetheless, Tamil organizations and slogans still provide rallying points for the many Tamils who resent the limited economic opportunities available to them.

...But Remains Entrenched

Aware of the apparent decline in its popularity, the Bandaranaike regime has made a number of moves to retain power. A constitution promulgated last May, which converted Ceylon into the Republic of Sri Lanka, gives the government new tools for holding on to power without popular support. The new charter postpones the deadline for the next national elections, originally slated for no later than May 1975, until May 1977—or even later should the government decide to invoke emergency powers to delay elections further. The constitution also diminishes the independence and power of the judiciary and gives the cabinet greater power to distribute patronage, intimidate the civil service, and introduce any legislation it desires, even measures inconsistent with the constitution itself.

The new constitution does not automatically make Sri Lanka a more authoritarian country, but it does provide the regime with an option in that direction. In what may be its first move toward picking up that option, the government last August introduced a bill that would have considerably augmented existing constraints on freedom of the press. In its original form, the bill called for the creation of a government-dominated press council empowered to censor virtually all news on government activities and to force the press to divulge sources of information. The council was to be given quasi-judicial powers to enforce compliance with its orders. The bill came

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under heavy fire from a wide range of politicians, the news media, and civic groups, and the government decided to redraft the measure. In its new form the measure reportedly protects journalists against compulsory disclosure of sources and somewhat eases the proposed restriction on publication of government news, but adds new limitations on news of military operations and economic and financial measures planned by the government.

Since the 1971 insurrection the government has made a considerable effort to improve its previously weak security forces, augmenting their ranks by several thousand men and acquiring extensive new military equipment from a variety of foreign donors. The 1972 budget called for a 53-percent increase over the previous year in spending on the police and armed forces. According to the head of Colombo's delegation at last spring's annual meeting of the Western-sponsored Ceylon Aid Group, government spending on security has risen from a pre-insurgency level of about two percent of total recurring expenditures to 6.6 percent.

Survival Above All

In determining its economic policies the Bandaranaike government appears to have made its own political survival the overriding objective. Aware that significant reductions in Sri Lanka's costly social welfare and consumer subsidy programs would probably meet with broad public opposition, the regime has repeatedly set aside plans for imposing such cuts. Most important, it has avoided making a meaningful reduction in the rice subsidy. In recent years, rice subsidies have accounted for over 20 percent of the government's non-capital expenditures and 50 to 60 percent of the budget deficit. Moreover, the government, apparently reluctant to risk antagonizing leftist supporters, has taken no effective steps to stimulate new domestic and foreign private investment. Most cabinet members seem aware of the need to reduce consumer subsidies and promote investment. The cabinet reportedly has been contemplating the introduction of significant cuts in the rice subsidy sometime this fall.

The Bandaranaike government has been careful to contain intra-cabinet disputes so that they do not threaten the survival of the coalition. The cabinet is divided into two loosely knit groupings. A leftist faction is composed of men who appear dedicated to orthodox Marxist principles. This group includes three ministers who belong to a self-styled Trotskyite party, the Lanka Sama Samaja Party; one who belongs to the Soviet-oriented Communist Party/Moscow; and several from Mrs. Bandaranaike's Sri Lanka Freedom Party. The other bloc is composed of men who are more moderate.

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The ministers in this group are all members of Mrs. Bandaranaike's party. They slightly outnumber the leftists, but the latter tend to be more assertive and to prevail in policy disputes except when Mrs. Bandaranaike actively sides with the moderates.

Mrs. Bandaranaike herself probably shares many of the statist, anti-capitalist views of her leftist ministers, but, being a practical politician, she has been careful to avoid causing either group—along with its parliamentary supporters—to abandon her. The ministers share her desire to keep the regime intact. As a result, very few legislators and only one cabinet member have stepped out of government ranks since the coalition came to power in May 1970. A measure of this overriding determination to keep the government intact was the decision on the part of cabinet moderates to stand aside as their leftist colleagues incorporated undemocratic features into the constitution. Similarly, the concern for self-preservation led the leftists to modify their revolutionary rhetoric in April 1971 and to join with the moderates to help suppress the uprising by young radicals.

This same desire not to jeopardize the government is also illustrated by the course of months-long bickering between the smallest of the coalition parties—the Communist Party/Moscow—and the rest of the regime. At a party congress last August, a militant faction captured control of the party and installed its own leaders in key party posts. The militants are dissatisfied with what they view as the government's failure to move with vigor against domestic and foreign capitalists and to defend the interests of Ceylonese workers. Despite their enhanced strength and their opposition to many government policies, the militants have not withdrawn the party from the coalition. The regime has exercised equal forbearance. For example, last spring when four of the Communist Party's six members of parliament failed to support a major government crime bill, Mrs. Bandaranaike simply suspended the four deputies from the government's parliamentary group—a largely meaningless move. Even after the militants had captured control of the party in August, they stayed in the government. Mrs. Bandaranaike knows that, although the Communists hold few seats in the legislature, they enjoy strong trade union backing and could heighten existing labor unrest if they became outright opponents of the regime. The Communists apparently realize that withdrawal from the coalition might open the way for repressive government action against them.

A Revamped Foreign Policy

The desire to stay in office has also prompted the Bandaranaike government to adjust its international posture. In 1970 the coalition's

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campaign platform called for a sharp leftward shift in foreign policy. During its first few months in office the regime moved in that direction. It established full diplomatic relations with East Germany, North Korea, and North Vietnam. It also recognized the Viet Cong government in South Vietnam. It took over the remaining properties of an American and a British oil company as part of a program for nationalizing petroleum distribution facilities that had been initiated in the early 1960s during Mrs. Bandaranaike's first term as prime minister. By the end of 1970 Mrs. Bandaranaike had suspended relations with Israel, terminated US Peace Corps activities on the island, evicted the Asia Foundation, and halted Ceylonese military training in the US.

Since late 1970, and especially since the 1971 insurgency, the government has shifted to a more balanced policy. Mrs. Bandaranaike and other cabinet members have become more accessible to US officials. The government has permitted naval visits by American as well as Soviet ships and has moved to end the anti-US bias in pro-government news media. Last month Sri Lanka requested that training of Ceylonese Air Force personnel in the US be resumed. Although the Business Acquisitions Act of 1971 gave the state almost unlimited authority to acquire private firms and properties, no major foreign holdings have been nationalized since the act passed, and the government has tried to convince investors that the law will be implemented only sparingly. Mrs. Bandaranaike expelled the entire staff of the North Korean Embassy in 1971 on suspicion of having helped foment the insurgency. She has since rebuffed bids for its reopening.

Mrs. Bandaranaike may even be weighing a resumption of ties with Israel. She was angered by the success of non-Asian participants at the conference of nonaligned nations last August in Guyana in getting Algiers rather than Colombo named as the site of the next conference. Mrs. Bandaranaike, believing that this development undercut her chances for a major leadership role among nonaligned countries, reportedly has begun contemplating changes in Ceylonese policies toward Africa and the Arab world. Her foreign affairs advisers have suggested that she make her point by reopening relations with Tel Aviv.

Several other factors account for the government's change of attitude toward the West. The main one is probably the worsening economy, which makes large-scale Western assistance even more vital than in the past. The economic situation also appears to be forcing the government to realize that backing the causes of Arab and other underdeveloped countries brings few tangible benefits. Moreover, the insurrection in 1971 sharpened the government's eagerness to ensure continued military assistance from Western as

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well as other sources. The US, Britain, the USSR, and China have all provided Colombo with substantial quantities of military equipment since the uprising.

The Ceylonese have evinced concern over the changed power balance in south Asia in the wake of the Indo-Pakistani war of December 1971. They fear that India, no longer preoccupied with a Pakistani threat, could eventually become more aggressive toward Sri Lanka, particularly if members of South India's Tamil community should move to assist Sri Lanka's disgruntled Tamil minority. New Delhi's closer ties to Moscow also make the Ceylonese uncomfortable. Some high officials in Colombo—including Mrs. Bandaranaike—appear convinced that the Soviets had something to do with last year's Ceylonese insurrection.

There is no good evidence to support this suspicion. Furthermore, there is no indication that India's Tamils are fomenting unrest among Sri Lanka's Tamils or that New Delhi has any plans for abandoning its relaxed policy toward Sri Lanka. The Bandaranaike government, nevertheless, continues to regard the Indians—and the Soviets—as potential threats to Ceylonese security, and it apparently views good relations with the West as a safeguard.

Friendship with China remains an important pillar of Ceylonese policy. China is Sri Lanka's second-ranking trading partner—after Britain—and has become an important donor of aid. Under the rice-rubber agreement first negotiated in 1952, China has become Sri Lanka's primary source of rice and the principal market for Sri Lanka's second largest export, rubber. The US was Colombo's principal source of economic assistance during the latter half of the 1960s, but Peking has been the leading donor so far in the 1970s. China extended a \$25-million, hard-currency credit to Sri Lanka in 1971 and loans worth over \$50 million during Mrs. Bandaranaike's ten-day state visit to China last summer. These credits account for over half the total assistance Peking has committed to Colombo since the late 1950s. The two countries agreed this year to set up a small, Chinese-financed joint shipping service. China, moreover, has been the only major power to support Colombo's efforts to have the UN declare the Indian Ocean a demilitarized "peace zone," the Chinese also are ignoring the Communist Party/Peking, a small Ceylonese opposition party now suffering from serious internal divisions.

Mrs. Bandaranaike's Prospects

The Bandaranaike government does not appear to be in any immediate danger. The deadline for the next national elections is nearly five years away.

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Labor, minority, and youth groups are restive, but none seems strong enough to threaten the regime soon. There are no signs as yet of significant disloyalty among military leaders, cabinet ministers, or government backbenchers in the legislature.

Foreign aid donors are not enthusiastic about continuing to finance excessive subsidization of consumption levels. Unless the Ceylonese authorities themselves can somehow bring about the economic growth needed to meet popular expectations, the public probably will continue to grow more and more disenchanted with the political establishment. An effective program for economic revival would present a dilemma for the regime, for the measures needed to restore growth would involve an unpopular curtailment of consumption and might trigger new agitation. Mrs. Bandaranaike's government, however, can probably keep any such unrest from getting out of hand.

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